34 of Insurance Act, 1938 has directed all insurers to manage their investment portfolios in-house through an investment Committee of the respective Board and not out-source the same. As per Regulation 9(1) of IRDA (Investment) Regulations, 2000, the Investment Committee, shall consist of minimum of two non-executive directors of the Insurer, the Principal Officer, Chiefs of Finance, and Investment divisions, and wherever appointed actuary is employed, the Appointed Actuary. The insurers have also been advised to terminate the out-sourcing agreements and transfer the functions "in-house" latest by 31st December, 2004.

(d) So far as life and non-life public sector insurance companies are concerned, they are governed by the Insurance Act 1938 and IRDA (Investment) Regulations, 2000 as amended from time to time.

Introduction of VAT

461. SHRI RAJKUMAR DHOOT: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government have decided to off-set the losses suffered by State Governments on account of VAT introduction;

(b) if so, the details thereof; and

(c) the annual financial burden on the Central Government, State-wise?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) Yes, Sir.

(b) Central Government would provide 100% compensation of the States in the year 2005-06, 75% in the year 2006-07 and 50% during 2007-08 for loss, if any, on account of introduction of VAT.

(c) State-wise annual financial burden on the Central Government shall be known only after VAT is actually implemented by the State Governments.

Sales tax on petroleum products

462. SHRI M.A.M. RAMASWAMY: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that due to high sales tax on petroleum products, the prices of petroleum products in different states are different;

(b) if so, whether it is also a fact that higher sales tax on petroleum products is one of the reasons for higher inflation;